



County of Los Angeles **CHIEF ADMINISTRATIVE OFFICE**

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Chief Administrative Officer

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March 3, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE REPORT

State Budget Report

Senator Burton Press Conference

Senate President pro Tempore John Burton held a press conference yesterday to respond to the Senate Republican Budget Plan announced by Senate Minority Jim Brulte last week. While saying that he thought the fact that the Republicans had proposed a plan was probably a good thing, he focused most of his remarks on the Republican's proposed 7 percent across-the-board budget reduction and three year spending freeze.

Senator Burton noted that large parts of the State General Fund are difficult if not impossible to cut because of court orders, Federal requirements or provisions of the State constitution, not to mention politics. Debt service must continue to be paid, Federal MOE's must be maintained and the State's constitutional requirement to provide a minimum level of funding for K-14 education must be met, if not suspended by a two-thirds vote of the Legislature. Consequently, the percentage cuts needed to achieve the \$5.1 billion savings proposed by the Republican Plan would be far deeper than 7 percent, perhaps as much as 16 percent if K-14 education is exempt. Senator Burton sought to illustrate the difficulty by describing the kinds of things that might need to happen to achieve the required level of savings including such actions as the closure of a University of California campus such as Riverside, closure of community colleges such as Rancho Cucamonga and a reduction of 23,000 per day in the prison population

through the release of non-violent, non-serious offenders one year early. In addition, Senator Burton said he had no idea how to freeze spending on caseload-driven programs.

Senator Burton noted that Republicans would have to compromise on their refusal not to raise taxes. He also noted that the Assembly Republican Leader, Dave Cox, had indicated that his caucus would take a different, more incremental approach, to dealing with the budget solution.

The VLF Deadlock

The deadlock apparently continues over the legal interpretation of whether current law authorizes the trigger to be pulled to increase the VLF rate if the State cannot afford to pay the backfill to local governments and, if so, what public official has the authority to officially declare that the State is unable to afford the backfill. The legal complexities, which are real and almost certain to provoke a legal challenge, are complicated by the political harm that may befall the official who makes the declaration. A recent statewide poll indicated that 58 percent of Californians oppose reinstating the 2 percent vehicle license fee. However, Governor Davis has indicated he would pull the trigger if there was a legal consensus that such an action was required by law. As yet, none seems to have emerged.

Short term, the deadlock is blocking passage in the Assembly of \$3.5 billion in mid-year budget reductions approved by the Senate last week. Assembly Democrats have delayed action awaiting assurance that the VLF rate will go up. However, on Monday, March 3, 2003, the Assembly Budget Committee approved the amended bills and sent them to the Floor. Nothing was said as to whether the deadlock was over.

Pursuit of County Position

AB 136 (Kehoe) would provide firefighters with a tax-free, two-year leave of absence without loss of salary in lieu of temporary disability for a work-related injury. Existing law (Section 4850.2 of the Labor Code) provides that firefighters, peace officers and certain other safety employees are entitled to a tax-free, one-year leave of absence in lieu of temporary disability for a work-related injury. The 1937 Retirement Act, in which the County participates, does not permit an employee to retire under a service-related disability until the Section 4850.2 benefit is fully exhausted. This bill would require the payment of a tax-free full salary for an additional one year.

The current annual cost of these payments to the County Fire Department for work-related injuries exceeds \$8 million. The CAO Risk Management staff estimates that

AB 136 could increase that cost by \$4 million per year. **Based on Board policy to oppose legislation that mandates or authorizes compensation or benefit changes without approval of the Board of Supervisors, our Sacramento advocates will oppose AB 136.** AB 136 was introduced on January 16 and was referred to the Assembly Committee on Insurance on January 23, 2003. No hearing date has been set.

AB 431 (Montjoy) would establish a burden of proof under workers' compensation for injuries to be classified as job-related. Individuals filing cumulative injury claims would have to prove by a preponderance of evidence that the injury was substantially caused by actual employment activities. Current law provides that workers' compensation law be liberally construed by the courts. It also defines a cumulative injury as one that occurs as the result of repetitive, mentally or physically traumatic activities extending over a period of time, the combined effect of which causes any disability or need for medical treatment.

The CAO Risk Management Division indicates that AB 431 represents a significant change in the existing burden of proof for workers' compensation claims and would enable many "borderline" cases to be successfully defended. Although it is difficult to estimate accurately the bill's fiscal impact, the CAO Risk Management staff estimates that its passage would result in a 5 percent or greater reduction in County workers' compensation costs, approximately \$14 million to \$15 million annually. Existing Board policy is to oppose legislation to eliminate existing requirements that employees demonstrate on-the-job exposure to qualify for workers' compensation or service-connected disability retirement benefits. AB 431 strengthens the burden of proof of on-the-job exposure in order to qualify for workers' compensation and retirement benefits for both a single incident and for cumulative injuries. **Therefore, our Sacramento advocates will support AB 431.** The bill was introduced on February 14 and referred to the Committee on Insurance on February 24, 2003. There is currently no hearing date set.

SB 40 (Alpert) would enact the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2004 for submission to the voters at the 2004 direct primary election. It would authorize issuance of \$2 billion in state general obligation bonds to finance library construction and renovation. The program would be administered by the State Librarian.

In March 2000, California voters approved a bond measure of \$350 million for library construction and renovation. Due to an overwhelming request for projects, only about 25 percent of the proposals submitted can be funded. SB 40 would provide additional

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funding. A minimum of \$500,000 and a maximum of \$20 million per project can be requested, with a local match requirement of 35 percent.

Support of SB 40 is consistent with Board support of Proposition 14 in March of 2000. **Therefore, our Sacramento advocates will support SB 40.** The bill was introduced on January 6, 2003 and is currently in the Senate Committee on Education. A hearing has been set for March 12. There is currently no registered support or opposition.

County Sponsored Bills

AB 1153 (Bermudez) which would prohibit the unauthorized sale and manufacture of all official State, county, city, and city and county badges, as well as associated photographic identification cards, was introduced on February 21, 2003.

County Interest Legislation

County-supported AB 74 (Mountjoy) which would have made it a felony for a person to evade a pursuing peace officer under certain circumstances, was amended on February 19, 2003 to make that evasion either a felony or a misdemeanor. Our Sacramento advocates will continue to support AB 74.

We will continue to keep you advised.

DEJ:GK
MAL:JR:ib

c: Executive Officer, Board of Supervisors
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